Coopers & Lybrand

Certified Public Accountants

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BOSTON REDEVELOPMENT AUTHORITY

COMBINED FINANCIAL STATEMENTS

for the year ended September 30, 1991

Coopers &Lybrand

certified public accountants

REPORT OF THE BOSTON REDEVELOPMENT AUTHORITY'S COMPLIANCE WITH LAWS AND REGULATIONS

Boston Redevelopment Authority
Boston, Massachusetts

We have audited the financial statements of the Boston Redevelopment Authority as of and for the year ended September 30, 1991 and have issued our report thereon.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Boston Redevelopment Authority is the responsibility of the Boston Redevelopment Authority's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Boston Redevelopment Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the Boston Redevelopment Authority complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Boston Redevelopment Authority had not complied, in all material respects, with those provisions.

This report is intended for the information of the Audit Committee of the Board of Directors, management, the Department of Commerce - Economic Development Administration, the Department of Housing and Urban Development and the National Foundation on Arts and Humanities. However, this report is a matter of public record and its distribution is not limited.

Coopers & Lybrand

Boston, Massachusetts
March 19, 1992

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REPORT ON THE INTERNAL CONTROL STRUCTURE OF THE BOSTON REDEVELOPMENT AUTHORITY

Boston Redevelopment Authority
Boston, Massachusetts

We have audited the financial statements of the Boston Redevelopment Authority as of and for the year ended September 30, 1991, and have issued our report thereon.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the Boston Redevelopment Authority for the year ended September 30, 1991, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of the Boston Redevelopment Authority is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

Cycles of the Entity's Activity

Treasury or Financing
Revenue/Receipts
Purchase/Disbursements
External Financial Reporting

Financial Statement Captions

Cash
Investments
Accounts Receivable
Billed and Unbilled Amounts Due from Federal, State and City
Accounts Receivable from Disposition of Development Sites
Notes Receivable
Fixed Assets
Payables and Accrued Liabilities
Debt
Other Liabilities
Deferred Revenue
Fund Balance

Accounting Applications

Billings
Receivables
Cash Receipts
Purchasing and Receiving
Accounts Payable
Cash Disbursements
Payroll
Investments
Fixed Assets
General Ledger

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

However, we noted other matters involving the internal control structure and its operation that will be reported to the management of the Boston Redevelopment Authority in a separate letter dated March 13, 1992.

This report is intended for the information of the Audit Committee of the Board of Directors, management, the Department of Commerce - Economic Development Administration, the Department of Housing and Urban Development and the National Foundation on Arts and Humanities. However, this report is a matter of public record and its distribution is not limited.

Coopers & Lybrand

Boston, Massachusetts
March 19, 1992

BOSTON REDEVELOPMENT AUTHORITY

COMBINED FINANCIAL STATEMENTS

for the year ended September 30, 1991

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Boston Redevelopment Authority:

We have audited the financial statements, as listed in the accompanying table of contents, of the Boston Redevelopment Authority as of September 30, 1991 and for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Boston Redevelopment Authority as of September 30, 1991 and the results of its operations and changes in fund balances and the changes in assets and liabilities - agency funds for the year then ended in conformity with generally accepted accounting principles.

Coopers & Lybrand

Boston, Massachusetts
March 19, 1992, except for
Note H, as to which the date
is August 24, 1992

BOSTON REDEVELOPMENT AUTHORITY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, OTHER CHARGES AND CHANGES IN FUND BALANCES

for the year ended September 30, 1991

	General Fund	Project Fund	Combined Total (Memorandum Only)
Revenues:			
Federal, state and city capital grants		$ 3,322,410	$ 3,322,410
Proceeds from disposition of development sites (Notes B and F)		17,810,400	17,810,400
Rental income (Note B)		1,525,189	1,525,189
Interest income	$ 66,027	555,380	621,407
Other	8,000	190,078	198,078
Total revenues	74,027	23,403,457	23,477,484
Expenditures:			
Personnel		9,624,833	9,624,833
Fringe		3,131,049	3,131,049
Capital outlays	16,032	3,847,024	3,863,056
Supplies and services	21,128	2,847,122	2,868,250
Contractual services	1,599	1,931,539	1,933,138
Occupancy costs		1,323,681	1,323,681
Restructuring costs (Note Q)		490,087	490,087
Charge-offs for notes receivable/Housing Developments (Note G)		840,548	840,548
Interest expense - Custom House (Note H)		1,050,000	1,050,000
Provision for valuation of Custom House development project (Note H)		4,472,250	4,472,250
Total expenditures	38,759	29,558,133	29,596,892
Revenue over/(under) expenditures before other charges	35,268	(6,154,676)	(6,119,408)
Other charges (Note O):			
City of Boston - Public Works Dept.		(450,000)	(450,000)
Total other charges	-	(450,000)	(450,000)
Total revenue over/(under) expenditures and other charges	35,268	(6,604,676)	(6,569,408)
Fund balances, September 30, 1990	3,372,608	14,442,752	17,815,360
Fund balances, September 30, 1991	$3,407,876	$ 7,838,076	$11,245,952

The accompanying notes are an integral part of the combined financial statements.

BOSTON REDEVELOPMENT AUTHORITY

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS

for the year ended September 30, 1991

	Balance, September 30, 1990	Additions	Deductions	Balance, September 30, 1991
ASSETS				
Investments	$ 3,873,991	$11,600,543	$11,925,177	$ 3,549,357
Accounts receivable	74,438	201,170	201,170	74,438
Billed amounts due from federal, state and city	1,400,000	2,096,347	3,387,650	108,697
Unbilled amounts due from federal, state and city	52	304,653	304,705	-
Notes receivable	31,122,966	940,522	1,314,584	30,748,904
Other assets	974,811		974,811	-
Due from other funds	339,763	470,826	243,892	566,697
Total assets	$37,786,021	$15,614,061	$18,351,989	$35,048,093
LIABILITIES				
Due to other funds	2,795,016	3,046,383	5,183,015	658,384
Retainage	12,929	46,123	54,847	4,205
Due to designated entities	34,978,076	1,493,630	2,086,202	34,385,504
Total liabilities	$37,786,021	$ 4,586,136	$ 7,324,064	$35,048,093

The accompanying notes are an integral part of the combined financial statements.

A. The Authority:

The Boston Redevelopment Authority (the "Authority") was established in 1957 pursuant to Chapter 121B, as amended, of the General Laws of Massachusetts to administer community development projects and to function as the planning agency of the City of Boston (the "City"). The Authority is governed by a five-member Board of Directors appointed for terms of five years.

B. Summary of Significant Accounting Policies:

A summary of significant accounting policies employed in preparation of the financial statements follows.

Fund Accounting

Financial activities are recorded in the funds and account groups described below. The financial operations of each fund are accounted for in separate self-balancing accounts which represent the fund's assets, liabilities, equity, revenues and expenditures. As the Authority is not legally required to adopt budgets for the General and Project Funds, no comparison of budget versus actual results of operations have been presented in these combined financial statements.

General Fund

Transactions accounted for in the General Fund relate to revenues and expenditures not specifically restricted to development projects and to certain centralized cash management functions.

Agency Funds

Resources received and held by the Authority as an agent for other entities are accounted for in Agency Funds. These resources include Urban Development Action Grants (UDAGs) and funds for other housing initiatives which require the loan recipient to execute promissory notes to the Authority. Repayments of UDAG loans which are received by the Authority are periodically remitted to the City or other designated entities. Disposition proceeds are initially accounted for in the Project Funds and are transferred to the Agency Funds when the account payable, if any, to the designated entity is determined. Also included in the Agency Fund is activity related to the Neighborhood Housing Fund (see Note O).

Continued

Project Funds

Transactions accounted for in the Project Funds relate to resources obtained and used for specific identifiable development activities classified as projects. Individual projects may receive funding from several sources including federal and state grants, City capital funds, disposition proceeds and rental income. The Authority separately accounts for the revenues and expenditures under each community development project and funding source. For financial reporting purposes, projects have been combined.

Account Groups

The General Fixed Assets and General Long-Term Obligations Account Groups are used to establish control and accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Basis of Accounting

The accounts of the Authority are maintained and reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available to finance operations during the year. Interest income, rental income and sale of development sites are recorded as revenues when earned. Revenues from federal and state reimbursement type grants and City capital borrowings are recorded at the earlier of receipt or when the related eligible expenditures are incurred.

Expenditures are recognized when obligations are incurred from receipt of goods and services.

Fixed Assets

Expenditures for equipment, and furniture and fixtures are recorded as supplies and services expenditures in the Project Funds. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. The cost of such assets is capitalized in the General Fixed Assets Account Group.

Continued

Capital leases have been recorded in the General Fixed Assets and General Long-Term Obligations Account Groups at the present value of the minimum lease payments. Lease payments are recorded as expenditures on the due date; the portion of the payments applicable to principal is reported as a reduction of the capitalized lease obligation in the General Long-Term Obligations Account Group.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the fixed assets which are as follows:

Vehicles and maintenance equipment	3 years
Furniture and fixtures	5 years
Data processing equipment	5 years

Depreciation and amortization is reported as a reduction in the General Fixed Assets Account Group.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life are not capitalized.

Property

The Authority owns properties within the City which were acquired in connection with its redevelopment and housing initiative activities and recorded as capital outlays expenditures in the Project Funds in the year acquired and therefore are not included in the General Fixed Asset Account Group.

Rental income received on long-term leases of approximately $3,700,000 is included as Proceeds from disposition of development sites. Rental income from Authority owned and operated property is reflected as Rental income.

Vacation and Sick Leave

Employees earn vacation and sick leave as they provide services. They may accumulate (subject to certain limitations) unused vacation and sick leave earned. Upon retirement, termination or death, employees may be compensated for accumulated unused vacation up to twice their current allowable annual vacation leave. Sick leave accumulates at the rate of 1 1/4 days for each calendar month with no maximum limit. Upon termination, employees with fifteen or more years of service may receive in cash a portion of their accrued but unused sick leave in accordance with an established formula.

Continued

The liability related to unused vacation and sick time is recorded in the General Long-Term Obligations Account Group (GLTOAG). The amount recorded in the GLTOAG is the unused days earned at the current rate of pay.

Pension

The Authority contributes to the contributory State-Boston Retirement System, a multiple-employer public employee retirement system administered by the City. Pension information is provided in the financial statements of the City which includes the Authority.

The Authority records retirement costs on a pay-as-you-go basis which, in accordance with the Laws of The Commonwealth of Massachusetts, is also the method used by the Authority to fund retirement costs.

Unbilled Accounts Receivable

Unbilled accounts receivable arise from certain Authority activities. Unbilled receivables are recorded for expenses incurred which are reimbursable under specific grants and not yet billed. Retainage withheld from payments on construction and engineering contracts are not reimbursable by grant funding sources until paid and, therefore, these amounts are recorded as unbilled receivables. Liabilities for land taking are recorded when they become estimable and, if reimbursable, unbilled receivables are recorded. Unbilled accounts receivables may not be billed and collected within one year.

Combined Total - Memorandum Only

Combined totals on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation.

C. Investments:

Included in investments are: deposits placed with the Authority by developers (see Note D), funds required to be held in investments under contractual agreements, and other funds received in connection with projects.

Continued

The Authority follows the policy of investing in securities of the U.S. Government and its agencies as well as domestic corporate debt instruments which are rated "A" or better by Standard & Poor's or Moody's corporate bond rating services. All investments are held in the name of the Authority.

All investments are carried at cost. Premiums and discounts on debt securities are amortized to maturity. The Authority includes accrued interest receivable in investments. The aggregate market value of investments held at September 30, 1991 was $7,915,465.

At September 30, 1991, $6,952,735 was covered by federal and state depository insurance or by collateral held by the Authority's agent in the Authority's name and $966,521 was uninsured and uncollateralized and represents money in an interest-bearing working capital account.

Investments, including restricted cash of $2,118,151 (see Note K), as of September 30, 1991 consist of:

Type	Amortized Cost	Interest Rate	Maturity
Daily Money Market	$2,243,356	Various	
Certificates of Deposit	1,583,241	5.25% to 6.2%	10/14/91 to 12/30/91
U.S. Government Treasury Bills	283,925	5.2%	10/10/91
Corporate Debt Securities	507,426	8.9%	11/1/00
U.S. Government Agency	3,263,702	6.0% to 8.5%	10/31/91 to 5/15/94
Investments at cost	7,881,650		
Accrued interest receivable	37,606		
	$7,919,256		

D. Deposits:

A portion of the investments held in the General Fund at September 30, 1991 relates to development deposits placed with the Authority in connection with specific or development projects. Such deposits are generally subject to escrow agreements and, accordingly, have been credited to the deposit account on the balance sheet.

Continued

E. Related Party Transactions:

City of Boston

During the year ended September 30, 1991, the City provided financial resources to the Authority, as follows:

	(in thousands)
Urban Development Action Grants (UDAG)	$ 767
City capital appropriations	3,567
Housing Development Grants (HODAG)	86
Community Development Action Grants (CDAG)	436
EPA grants	218
Other federal, state and city grants	310
	$5,384

Certain of the office space of the Authority is provided by the City at no charge.

F. Billed and Unbilled Amounts Due From Federal, State and City:

Billed and unbilled amounts due from federal, state and city are project expenditures which are reimbursable under federal, state and city funding sources. A summary of billed and unbilled amounts due from federal, state and city at September 30, 1991 is as follows:

	General	Agency	Project
Billed amounts due from federal, state and city	$15,199	$102,197	$465,599
Unbilled amounts due from federal, state and city		6,500	332,635
Unbilled court award reimbursements due from city			324,000
	$15,199	$108,697	$1,122,234

Continued

Project Funds

In connection with various capital projects for the City, the Authority incurred expenditures in the amount of $99,777 which are reimbursable under previously approved loan orders with the City's Capital Planning Office (CPO). The Authority plans to bill and collect this amount upon notification from the CPO that such amounts have been properly encumbered. These amounts are included in the unbilled amounts as of September 30, 1991.

In addition, the Authority has recorded a liability associated with eminent domain cases resulting from the acquisition of properties (see Note K). Certain of these cases are reimbursable from the City. The Authority has recorded as unbilled receivables due from the City $324,000 as of September 30, 1991, which are associated with these eminent domain cases and reimbursable under loan orders and other agreements with the City.

On September 26, 1991 the Authority authorized the execution of a Land Disposition Agreement and Deed conveying of Parcel D-10 located in the Urban Renewal Waterfront Project R-77. The disposition price of $11,700,000 which is reflected as revenue in fiscal 1991, has been collected by the Authority.

G. Notes Receivable:

Notes receivable in the Agency Fund are comprised of funds advanced to developers under various UDAG and housing initiative agreements. The liabilities to the funding sources are reflected in due to designated entities. Notes receivable in the Project Funds are comprised of funds due from nonprofit development projects. In fiscal 1991, the Authority charged off certain housing development notes receivable.

H. Property Held for Development:

On October 9, 1987, the Authority purchased the "Custom House Tower" from the federal government for $11,000,000. As part of the purchase agreement, the federal government provided a loan to the Authority in the amount of $9,900,000 at an annual interest rate of 11%. The terms of the loan require payment of interest only in quarterly installments of $272,250 for the period January 1988 through October 1992 and quarterly payments of principal and interest of $650,150 for the period January 1993 to October 1997. The Authority capitalized interest incurred of $3,239,775 through September 30, 1990. In fiscal 1991, current year interest of $1,050,000 has been charged to project fund operations.

Continued

Effective July 9, 1992, the General Services Administration and the Boston Redevelopment Authority agreed to restructure the debt. A new note shall be executed by the Boston Redevelopment Authority in favor of the General Service Administration. The note shall be collateralized by a mortgage on the subject real estate and shall be non-recourse to the Boston Redevelopment Authority. In addition, the note and mortgage will be served solely by the subject real estate as improved and shall be made on pari passu (equal basis) with the redevelopment financing for the Custom House Project.

The Authority expects that the terms of the proposed restructured note will include the principal amount of $9,900,000 and will be for a term of thirty years. Payments of interest only shall be made quarterly at a rate of six percent per annum (6%) or such other interest rate as equals the current value of funds to the U.S. Treasury at the time of closing. Interest will be due beginning on October 9, 1992 in the sum of $148,500 and a like amount quarterly thereafter to and including July 9, 2022. The $9,900,000 principal shall be due as a balloon payment at the end of the thirty-year term but may be prepaid, in whole or in part at anytime without penalty. The Authority believes that the restructured note agreement will be finalized by December 31, 1992.

The Authority is currently working with the designated developer for the Custom House to obtain financing arrangements for a proposed hotel complex and expects to finalize these arrangements by March 31, 1993. The Authority along with the designated developer has made significant progress on various predevelopment activities such as obtaining necessary project permits and approvals from the various federal, state and city agencies.

As of September 30, 1991, the Authority has recorded a provision of $4,472,250 to reduce the carrying value of the Custom House project based on the current status of the project and related financing initiatives.

Continued

I. Fixed Assets:

The following is a summary of changes in the General Fixed Assets Account Group:

	Balance, September 30, 1990	Current Year Activity	Balances, September 30, 1991
Furniture and fixtures	$1,460,282		$1,460,282
Vehicles and maintenance equipment	61,999		61,999
Data processing equipment	584,379	$ 6,408	590,787
	2,106,660	6,408	2,113,068
Less accumulated depreciation and amortization	(1,401,777)	(326,398)	(1,728,175)
Fixed assets, net	$ 704,883	$(319,990)	$ 384,893

Equipment leased under capital leases recorded in the General Fixed Assets Account Group as of September 30, 1991 consist of (see Note J):

Furniture, fixtures and equipment	$934,660
Less accumulated amortization	(709,179)
Leased fixed assets, net of amortization	$225,481

J. Commitments:

At September 30, 1991, the Authority was committed under contracts for various funded projects in the aggregate amount of approximately $2,995,000.

The Authority leases office space located in the Charlestown Navy Yard through June 1992. These operating lease agreements contain renewal options and provisions to pay operating expenses over base amounts. The future minimum payments under this lease as of September 30, 1991 are $675,000 for fiscal year 1992.

The Authority has entered into various equipment lease agreements which qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments (see Note I).

Continued

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments recorded in the General Long-Term Obligations Account Group at September 30, 1991:

Fiscal year ending September 30,	
1992	$159,459
1993	79,507
1994	39,231
Total lease payments	278,197
Less amount representing interest	25,569
Present value of future minimum lease payments	$252,628

K. Contingencies:

The Authority is involved in lawsuits concerning routine contract matters and public liability tort actions, the majority of which are covered by Contractors, Homeowners, Landlords and Tenants Liability insurance policies. In addition, the Authority is involved in land damage cases resulting from the acquisition of properties as a result of exercising its powers of eminent domain.

Based on information supplied by the Authority's counsel, the accompanying financial statements include estimates of probable future liabilities of $527,700 relating to the aforementioned lawsuits, and unbilled accounts receivable have been recorded for the portion of such liabilities which are anticipated to be reimbursed. (See Note F.)

The Authority receives various grants from federal, state, city and other agencies which must be expended in compliance with the terms and conditions of the grants. These expenditures are subject to audit by the grantor agency and any disallowed expenditures could become either a reduction of future grants or a liability.

In December 1989, the Authority entered into agreements with two insurance companies whereby the insurance companies advanced total linkage payments of certain developers to the City for housing creation. Under the agreements, the Authority established, and maintains, restrictive bank accounts totaling $2,118,151, which can be used by the insurance companies in the event of default or challenge by the developers (see Note O).

Continued

L. Changes in Vacation, Sick Leave and Retirement Costs:

Changes in the vacation, sick leave and retirement costs reflected in the General Long-Term Obligations Account Group for the fiscal year ended September 30, 1990 are as follows:

	September 30, 1990	Additions	Reductions	September 30, 1991
Vacation and sick leave	$1,693,232	$1,563,510	$1,652,854	$1,603,888

M. Retirement Costs:

All full-time Authority employees are eligible to participate in the State-Boston Retirement System (the "System"). The System provides for retirement allowance benefits up to a maximum of 80% of an employee's highest three-year average annual rate of regular compensation. Benefit payments are based upon an employee's age, length of creditable service, level of compensation, and group classification. Employees become vested after 10 years of creditable service. A retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service.

Employee contributions are based upon a percentage of the employee's base pay. The Authority is annually assessed its proportionate share of the retirement costs of the System by the City. The aggregate entry age normal cost method was used to compute the minimum required contribution by the Authority. During the year ended September 30, 1991, the Authority contributed and recorded as an expenditure in the Project Fund $1,756,923. Also, the Authority employees contributed $705,700 in fiscal 1991. The Authority's covered payroll for employees who participate in the System as of the June 30, 1991 actuarial valuation date was $9,857,353. Total payroll for the Authority employees was $10,488,285 for the 12 months ended June 30, 1991.

The Authority's pension benefit obligation was computed as part of the City's actuarial valuation performed as of June 30, 1991. The total pension obligation and net assets available for benefits applicable to the Authority's employees were $17,221,000 and $9,882,000 at June 30, 1991, respectively. The Authority's actuarial pension expense consisted of $119,371 employer normal cost and $942,307 amortization of the unfunded actuarial liability. At June 30, 1991, the unfunded pension benefit obligation was $5,518,000, determined as follows:

Continued

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee benefit systems and employers.

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	$ 5,378,000
Current employees:	
Employee financed	5,869,000
Employer financed - vested	2,666,000
Employer financed - nonvested	1,487,000
COLA benefits reimbursable by The Commonwealth of Massachusetts	1,821,000
Total pension benefit obligation	17,221,000
Net assets available for benefits	9,882,000
Unfunded pension benefit obligation	7,339,000
Effect of COLA	1,821,000
Unfunded pension benefit obligation, net of COLA	$ 5,518,000

Significant actuarial assumptions used in the valuation include (1) a rate of return on the investment of present and future assets of 10% a year compounded annually, (2) projected salary increases of 6% a year compounded annually, attributed to inflation, and seniority/merit, (3) a cost of living increase of 3% annually applicable to the first $9,000 of annual benefit, and (4) removal of the $30,000 compensation cap.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation discussed above.

Continued

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is as follows:

Plan Year*	(1) Net Assets Available for Benefits	(2) Pension Benefit Obligation, Net of COLA	(3) Percentage Funded (1) ÷ (2)	(4) Unfunded Pension Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation as a Percentage of Annual Covered Payroll (4) ÷ (5)
1991	$9,882,000	$15,400,000	64%	$5,518,000	$ 9,857,353	56%
1990	9,267,000	15,312,000	61%	6,045,000	10,245,514	59%
1989	8,374,000	14,373,000	58%	5,999,000	10,483,921	57%
1988	9,739,000	16,529,699	59%	6,790,699	10,357,389	66%

*Historical trend information prior to 1988 is not available.

N. Deferred Revenue:

Revenues related to certain land disposition transactions are recorded as deferred revenues until such time as the transactions progress to the point that the Authority has realized the revenue. In 1991 the Authority entered into or finalized negotiations on several land disposition transactions which resulted in an additional $9,700,000 of deferred revenue. Further, during fiscal year 1991, the Authority realized approximately $16,000 which had previously been recorded as deferred revenue. Total deferred revenue as of September 30, 1991 is $16,438,316 which is expected to be realized in subsequent years either upon due dates or in some instances upon the achievement of certain milestones.

O. Designation of Project Fund Balance:

During fiscal years 1989 through 1991, the Authority designated a portion of the Authority's project fund balance to specific program initiatives. These designated accounts have been established to indicate expected plans or commitments for these resources in a future period. Changes in the designated project funds for the fiscal year ended September 30, 1991 are as follows:

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Program	September 30, 1990	1991 Designation	1991 Disbursements	September 30, 1991
Neighborhood Housing Fund	$ 248,016			$ 248,016
Escrow Linkage Fund	2,118,151			2,118,151
City of Boston, Public Works Dept.	-	$900,000	$450,000	450,000
Total	$2,366,167	$900,000	$450,000	$2,816,167

Neighborhood Housing Fund Designation

The Neighborhood Housing Fund was established to provide small grants, bridge loans, and technical assistance to Boston's community-based, nonprofit development entities and to other neighborhood based development entities for the production of affordable housing. The fund was designated as the recipient of voluntary contributions made to the Authority for the purpose of promoting neighborhood housing, and of such other funds as the Authority may receive or may allocate for this purpose. As of September 30, 1991, the Board has designated an aggregate amount of $1,810,000 of the Authority's fund balance to the Neighborhood Housing Fund. As of September 30, 1991, $248,016 of this has yet to be disbursed for Neighborhood Housing Projects.

Escrow Linkage Fund Designation

On July 29, 1989, the Board authorized a designation of $2,118,151 of fund balance to escrow linkage agreements with Metropolitan Life Insurance Company and the Prudential Insurance Company of America. These agreements provide for the advancing of $13,348,000 of future Development Impact Projects (DIP) payments to the City's "Housing Trust" for housing creation. This $13,348,000 represents the present value of future DIP payments. These agreements contain the following:

1. The Metropolitan Life Insurance Company loan is based on 10 DIP agreements, valued at $13,739,940 creating 525 housing units of which 372 or 71% will be affordable as defined by the agreements. The business terms are as follows:

   An escrow account in the amount of $1,307,735 has been established by the Authority, representing one year of debt service to guarantee against possible default of payments;

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An escrow account in the amount of $50,000 has been reserved by the Authority for enforcing payment by a defaulting contributor under the Linkage program.

2. The Prudential Insurance Company of America has loaned cash against two DIP agreements valued at $5,525,000. These will support two Housing Creation proposals producing 504 units of which 450 or 89% will be affordable as defined by the agreements. The business terms are as follows:

   An escrow account in the amount of $460,416 has been established by the Authority, representing one year of debt service to guarantee against possible default of payments;

   An escrow account in the amount of $50,000 has been specifically reserved by the Authority for enforcing payment by a defaulting contributor under the Linkage program.

   A $250,000 litigation reserve escrow account has been established to demonstrate the Authority's ability to pursue legal action in the event of a constitutional or other challenge to the Linkage program itself. The escrow account would cover both insurance companies' agreements.

   At September 30, 1991, the Authority has escrow accounts relating to these agreements amounting to $2,118,151. See Note C.

Urban Renewal Project Assistance

On June 27, 1991, the Board of Directors authorized the Authority to designate $900,000 of fund balance for the purpose of contracting with the City of Boston Public Works Department for work in designated urban renewal project areas. $450,000 was paid in fiscal year 1991.

P. Deferred Compensation:

The Commonwealth of Massachusetts offers the Authority's employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable

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emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of The Commonwealth of Massachusetts (without being restricted to the provisions of benefits under the plan), subject only to the claims of The Commonwealth of Massachusetts' general creditors. Participants' rights under the plan are equal to those of general creditors of The Commonwealth of Massachusetts in an amount equal to the fair market value of the deferred account for each participant.

Q. Restructuring Costs:

On March 29, 1990 the Authority Board voted to authorize the Voluntary Retirement Bonus Program of 25% of annual base pay for eligible employees. Payments were made under this Voluntary Retirement Program to ten employees and amounted to $85,162 during fiscal 1991. Subsequently, on March 14, 1991 the Authority approved a Voluntary Termination Bonus Program to all full-time employees who had been employed with the Authority for at least one year. This Voluntary Termination Bonus Program began on March 15, 1991. Employees who resigned voluntarily were granted a cash bonus of $6,000. Thirty-four employees accepted the Bonus which resulted in a one time expenditure, including accrued benefits, of $404,925. Both of these Programs totaling $490,087, were modeled after Programs implemented by the City of Boston.